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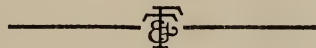
Ye Leadenhalle Presse Pamphlets.

Can Parliament break faith?

A Conversation
on the
Supply of Water to the Metropolis

by Companies established on the faith of
Private and Public Acts of Parliament.

(Reported)



LONDON :

Field & Tuer, Ye Leadenhalle Presse, &c.

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1] Ye Leadenhalle Presse Pamphlets. [6d.

HISTORY OF THE DECLINE AND FALL
of the British Empire. By Edwarda Gibbon,
M.A., F.R.S.L., &c. [Auckland, A.D. 2884.]

CAN PARLIAMENT BREAK FAITH ?

IN view of the recent litigation as to Water Companies' charges and the remarks made by Sir William Harcourt to a deputation of the London Water Companies that lately waited upon him with regard to a Bill promoted by the City of London making it obligatory on the Companies, if required, to give a supply by meter,—I think it may not be uninteresting to publish a conversation that I have had with a friend who professes to know something about water-works as showing the other side of the water question. My friend somewhat chafes at the treatment the Companies receive all round, and I will do my best to reproduce his views and his grievances as I drew them from him. I put my remarks in the shape of questions ; he gives the answers and explanations.

Q. Suppose you take the trouble to explain to me the present position of the London Water Companies, and expand your remarks into their relations with the public ?

A. The supply of water to London is afforded by eight Companies established under many public and private Acts of Parliament, and having under those Acts privileges secured to them on condition of their fulfilling certain duties and obligations. These duties are principally the affording an abundant supply of water from sources specified in their Acts at certain rates, also specified. There are other obligations imposed upon them, such as keeping a supply of water always available for fire extinguishment—

Q. And maintaining the quality of the supply, I presume ?

however, I had better not interrupt, but leave you to deal separately with the questions of the quantity, quality, and price of this primary necessity of life in London.

A. I do not dispute that water is a necessity of life, but what that truism has to do with the divisions of the question that you lay down, I fail to see. As well assert that bread and meat and clothing are necessities. However, you only adopt the usual common-place phrase. I wonder that you did not assert the other common and equally common-place proposition, that it ought to be as free as air. Let me, then, to do away with the necessity of your making trivial assertions of this kind, admit once for all that all water comes down from the clouds, that it is open to every one to catch it as it falls if he can, or to draw it from streams or wells after it has fallen, if he likes to be at the trouble, as well as to store it for his subsequent use. But, heretofore, lacking the advantage of Mr. Henry George's teaching, instead of every one doing everything for himself, people have held by the doctrine of the economical distribution of labour, and have paid Water Companies for obtaining water and delivering it at and in their houses or wherever they have required it, just as they buy bread from the baker, beef from the butcher, or clothes from the tailor, instead of making and baking bread, slaughtering oxen, or making and mending clothes for themselves.

Q. I am sorry to have inadvertently pulled the string of the shower-bath and brought on my head this deluge of political economy and water. Let us get on with quantity.

A. I must premise by saying that the districts of the London Water Companies far exceed the limits of the area under the control of the City and the Metropolitan Board of Works. The following tables show the source of each Company's supply for this great area and what limitation there is to it. They are extracted from the report of Colonel Sir Francis Bolton, Official Water Examiner to the Local Government Board, dated 31st January, 1883 (*vide* Twelfth Annual Report of Local Government Board, pp. 122, 123, 133).

Name of Company.	Source of Supply.	Average per day in 1882.	
		Per Head. Gallons.	Per House. Gallons.
1. Kent Waterworks.	The Chalk wells between Crayford and Deptford.	26·56	158
2. New River.	The River Lea, and wells at Amwell End, Amwell Hill, Hoddesdon, Turnford, Chess-hunt, Southgate, Betstile, and Broadmead. The total volume which may be taken daily being unlimited.	27·62	201
3. East London.	The River Lea, from which the quantity that may be abstracted daily is unlimited; and from the Thames at Sunbury, the volume to be abstracted daily at this place being limited to 10,000,000 gallons.	34·49	258
4. Southwark & Vauxhall.	The Thames at Hampton.	27·72	205
5. West Middlesex.	Do.	25·51	191
6. Grand Junction.	The Thames and gravel-beds at Hampton.	30·80	294
7. Lambeth.	The Thames at Molesey and springs from the gravel beds and chalk at West Molesey and Ditton.	31·59	220
8. Chelsea.	The Thames at Molesey.	36·77	290
General average		30·13	227

“The volume which may be taken daily from the Thames is limited to 110,000,000 gallons, but from the other above-mentioned sources it is unlimited.

Estimated population, December, 18824,746,763

Number of houses, December, 1882 643,752 ”

Q. It appears, then, that the quantity of water the Companies may take from the Thames is limited?

A. Yes; although there is a very large margin before that limit is reached. But irrespective of that source, there is a wealth of underground water in the districts of the Companies of which they can avail themselves. Many of them are sinking wells, and others have made investigations with the view of doing so; but in the face of the harassing attacks constantly

made upon them, and the consequent heavy expenses of opposing the schemes in Parliament, their attention has been diverted from carrying out the new works they have had in contemplation.

Q. I observe in the public papers that there are often allegations that the supply to London is deficient in quantity.

A. Like most of the allegations against the Companies they are baseless. You will see from the foregoing table, which, understand, is prepared by a Government official, that the average quantity supplied per head is 30·13 gallons, and per house, or supply, 227 gallons per day. This, of course, includes trade and all other supplies. No city in the world has or need have a more abundant supply. And remember that the Companies generally have surplus engine-power and capacity of works which admit of these quantities being considerably increased.

Q. But the supply is not constant.

A. Not universally, it is true, but more than one-third of the houses in the Metropolis are on constant supply at present, and the extension of this system is going on rapidly in the districts of all the Companies.

Q. Because the Companies are compelled to give it.

A. Another false charge. In every case where a Company has given constant supply they have done so voluntarily. The Metropolitan Board of Works, under the Metropolis Water Act of 1871, were constituted the authority, and had powers conferred upon them, to call on the Water Companies to give constant supply. But in no instance have they exercised this power. They allege that they do not wish to put householders to the trouble and expense of altering the water-fittings of their premises, and so they keep aloof from the question—except that they break out occasionally with an absurd proposal such as that for a dual supply, involving special separate fittings for every house, and the breaking up of every street and footway in London. They are now once more on the war path, and seeking powers from Parliament to again meddle with the Water Companies at the expense of

the ratepayers. And as there are so many members of the present Parliament who go with the noisy minority that form themselves into leagues in treating not only Water Companies but anybody or class who have been fairly and honestly successful as little better than criminals, it is quite possible the Metropolitan Board of Works will be endowed with powers to worry.

Q. "Pray moderate the rancour of your tongue," and let us discuss the matter with becoming dignity. Before quitting the subject of quantity, may there not be some ground for the general allegations of a short supply, inasmuch as the Vestries and Local Boards do not get as much water as they think is necessary for public purposes, such as road-watering, flushing sewers, etc.?

A. Another misconception. These parish authorities originally charged the Companies no rates, and got their water for nothing; then they used to pay a certain lump sum or a rate per mile, in consideration of which they could take as much water as they wanted for all public purposes. There was a certain amount of give and take in the relations between the parishes and the Companies, generally to the advantage of the former. For instance, it was the duty of the parish authorities, and is now the duty of the Metropolitan Board of Works, to pay for and maintain all fire-plugs required to be fixed on the Companies' mains, but I never heard yet of the parishes or Metropolitan Board of Works having discharged this obligation, and I have no doubt the Companies have expended thousands, aye, hundreds of thousands of pounds on fire-plugs. The Metropolitan Board of Works pay for the fixing of a few hydrants in constant-supply districts because they are obliged to. Lately the busybodies on the Vestries have urged the parishes to become economical, and in many places they are now taking their supplies by meter. If they use water as heretofore without stint they will find that they will certainly not have to pay a less sum under the meter system. The question of a minimum quarterly rate was recently contended for by a Company in a dispute as

to charge before a police magistrate, but it was disallowed by the magistrate, who failed to understand that the Company had to keep up a considerable margin of engine power, works, mains, and appliances to give these road-watering supplies, in consequence of their being required at the very time that the greatest demands from all other sources were pressing on the Company. I mean that the water for road-watering is taken on those hot, dusty and dry summer days, not only when the house services are being given, but when there is an extra demand for gardens, baths, etc., and the Companies have their resources taxed to meet the increased demands of their regular daily customers. Yet, forsooth, the parish authorities claim to have as much as they like on these exceptional occasions only, and to pay for only what they take at the lowest rate, which is almost as reasonable as expecting to be able to buy strawberries in March at summer prices. This extra margin of power that I refer to for giving a supply on fine days involves a cost for such supply quite out of proportion to the cost for regular supplies. Then the parishes rate the Companies heavily on all their plant and works, so that what they are likely to get for water supplied by meter in a wet season will scarcely pay the amount of the rates the extra works involve.

Q. Surely you are overstating your case !

A. You think so : then refer to the Twelfth Annual Report of the Local Government Board for 1882-3, and on page 136 you will find from the Government Auditors' return of the accounts of the Water Companies that water rates and extra receipts amount to £1,647,755 ; the losses amount to £87,247, so that the net rental is £1,560,508. The return shows that the dividends paid on the share and preference capital amount to £860,037, and that the amount of rates and taxes (irrespective of income tax) is £117,579. This means $7\frac{1}{2}$ per cent. on the receipts and over $13\frac{1}{2}$ per cent. on the dividends. In other words, out of every £1 received by the Companies the parishes take one shilling and sixpence, or out of every pound available for the shareholders they take two

shillings and eightpence halfpenny. Comparing this with the return in the Ninth Report of the Local Government Board for 1879-80 the total rental of the Companies, less losses, was £1,379,192, and the dividends £718,737, while rates and taxes were £87,503, or $6\frac{1}{3}$ per cent. on the receipts and $12\frac{1}{4}$ per cent. on the dividends, so that the Companies have had to pay an increase of $1\frac{1}{6}$ per cent. on their receipts, or $1\frac{1}{4}$ per cent. on their dividends in three years.

Q. Well, I suppose they are rated in accordance with the law or they would not pay?

A. I am by no means clear about that, and I think the sooner the Companies try a case the better. The parishes employ surveyors to value railway, gas and water property, and pay them by a commission on the increases they succeed in effecting in the assessments. The Water Companies are rated first on all the works, fixed plant and structures, and then on the profits that it is assumed a hypothetical tenant would be able to make out of their works. What other industry is rated on the profits? I think an element of the calculation is the supposed security of water-works property. If shareholders are to be worried in the manner they have been lately this element vanishes.

Q. Well, I do not profess to understand the matter. Let us go from quantity to quality.

A. Very good; but before we pass from the former subject I hope you understand that the more the Companies spend in improving their works, extending their reservoirs, mains and filters, and increasing their engine-power, so as to be able to ensure the most abundant supply and to have alternative and surplus means of supply in case of accident or emergency, so much the more have they to pay the parishes. The better the works, in fact, the more rates and taxes the Companies have to pay upon them.

Now as to quality.

You are probably aware that the London water supply has been frequently under investigation since the Companies were practically reconstituted and had their present powers con-

ferred upon them in 1852. The Metropolis Water Act of that year was passed with the very object of "securing the supply to the Metropolis of pure and wholesome water," and the Thames was recognised as the principal source of such supply. Every Parliamentary commission or responsible body having judicial functions that has made investigations as to the quality of the water supplied by the London Companies during the last quarter of a century speaks well of it. With regard to the fitness of the river Thames as a source of supply and the quality of its waters, a committee of the House of Commons, of which Mr. Ayrton was Chairman, reported in 1867 as follows:—

"(p. 24.) Evidence has been laid before your Committee of a minute analysis of the water recently made, showing 'that as far as chemical science and other means of comparison admit, the quality of the water drawn from the Thames has been still further improved, and may be advantageously compared with the water generally supplied to towns in England.'

"(p. 28.) Your Committee are satisfied that both the quantity and quality of the water supplied from the Thames is so far satisfactory that there *is no ground for disturbing the arrangements* made under the Act of 1852, and that *any attempt to do so would only end in entailing a waste of capital and an unnecessary charge upon the owners and occupiers of property in the Metropolis.*"

The Royal Commission, over which the Duke of Richmond presided, after an inquiry extending over two years, in 1869 reported thus:—

"(p. 213.) The evidence before us leads us to the conclusion that the Thames water has many good qualities which render it peculiarly suitable for the supply of the Metropolis, and which give it, in some respects, a superiority over the soft waters usually obtained from high gathering grounds. When properly filtered it is clear, bright, colourless, agreeable and palatable, and the amount and nature of its saline constituents are considered by many to contribute to its general acceptability for drinking. It is well aerated, has good keeping

qualities, and is unusually safe as regards action on lead and iron.

“(p. 214.) The evidence we have collected on this subject presents great diversities of opinion ; but there is one result, which we think is clearly deducible from the facts before us, namely, that in the present state of chemical science, analysis *fails to discover, in properly filtered Thames water, anything positively deleterious to health.* Whatever may be the difference of opinion with respect to the time required for removal of all the objectionable organic matter, all the chemists agree that in Thames water taken from the present source and properly filtered, all such matter has disappeared, and that the resulting compounds, such as nitrates, etc., remaining therein are innocuous and harmless. Having carefully considered all the information we have been able to collect, we see no evidence to lead us to believe that the water now supplied by the Companies is not generally good and wholesome.”

Since that report was made, important measures have been adopted to effect the recommendation of the Commission.

In 1871 the Metropolis Water Bill, for providing constant supply, was brought in by the Government and passed into an Act, and so satisfied was the Legislature as to the purity of the supply, that the sources of the supply were not impeached, although the Act provided that a Water Examiner should be appointed to see that the Companies used proper means to efficiently filter their water.

Finally, Colonel Sir Francis Bolton, the Government Water Examiner appointed under this Act, states in his last report, dated 31st January, 1883 :—

“Subsequent to the passing of the Act of 1871, the Water Companies have of their own accord, and in consequence of recommendations from me, incurred and undertaken a considerable expenditure, amounting altogether to £2,990,875 4s. 8d., for the improvement of the water supply both in quantity and quality, by extending the storage capacity of their reservoirs, and increasing their areas of filtration, as well as by providing for the requirements

of constant supply by the construction of high service reservoirs for filtered water, the laying of mains, and the addition of powerful machinery to their works. These measures have tended to improve the supply of water to the Metropolis."

(*Vide* p. 131 Twelfth Report of the Local Government Board.)

Q. This is all very well. But the public are accustomed to other and very different reports in the newspapers, from which it would appear that the London water supply is nothing better than diluted sewage, and I believe that eminent chemist, Dr. Frankland, publishes every month figures showing that in a certain volume of water there are from three to six parts of organic impurity.

A. The newspapers which publish such unjustifiable and alarming statements certainly do not exhibit a proper sense of their responsibility. As to Dr. Frankland, he gave elaborate evidence before the Duke of Richmond's Commission, but failed to make them adopt his views. I cannot do better with regard to your remark about his figures than quote the following from the report of that Commission:—

"And, further, we cannot but consider it unphilosophical when, in addition to treating as 'impurities' substances perfectly harmless even in much larger quantities, the minute quantities present in a gallon, or any other small measure of water, are multiplied by taking masses of water, such as the individual never has to deal with, and given to the public in figures so large as to tend to cause misconception, and perhaps unnecessary alarm in the minds of those not conversant with the conditions of the case. It would be as just to speak of the small proportion of carbonic acid present in the atmosphere, equally in populous cities and the Alps, as an impurity, and to startle those unacquainted with the subject by giving in some large figures the total quantity of that gas present in the atmosphere of London."

These figures of Dr. Frankland are only proportional, and not quantitative, and, therefore, most misleading. I will show you directly what are the real quantities of organic impurities in the different waters.

Q. But you forget the celebrated sixth report of the Rivers Pollution Commission.

A. That is only Dr. Frankland in another form. He and Mr. Chalmers Morton are the only signatories to it. But even Dr. Frankland, though he is avowedly hostile to the Thames and Lea as sources of supply, has publicly stated that the "Water Companies had done, he would not say all that was possible, but all that could be reasonably expected of them to improve the quality of their supplies;" and he has admitted that the quality of the water generally has greatly improved during the last ten years. In his report, dated 31st January, 1883, he states that "the Companies drawing their supplies from rivers have of late years exercised increased care in the treatment and filtration of the water." There is no doubt that Dr. Frankland's objections are of a sentimental character, and based upon the dread of unknown dangers arising from the possibility of sewage contamination rather than the actual amount of organic elements in the water. You will see from the following abstracts of his tables what quantities of organic carbon and organic nitrogen were contained in the following waters.

I will take the totals of the organic carbon and organic nitrogen for three years.

In average of water supplied in 1877. There were heavy floods in the early part of this year:—

Order of Purity.	Name of Company.	Quantity in 100,000 parts of water.	Equivalent in grains per Impl. Gall. of 70,000 grains.	Equal to 1 part (or say a glass) of organic impurity in the following parts (or glasses) of water.
1	Tottenham	·031	·0217	3,225,806
2	Kent	·060	·0420	1,666,666
3	Colne Valley	·084	·0588	1,190,476
4	New River	·131	·0917	763,359
5	East London	·156	·1092	641,026
6	Glasgow... ..	·192	·1344	520,833
7	West Middlesex	·200	·1400	500,000
8	Grand Junction	·210	·1470	476,190
9	Lambeth	·213	·1491	469,484
10	Chelsea	·227	·1589	440,529
11	Southwark and Vauxhall	·247	·1729	404,858
12	Birmingham	·331	·2317	302,115

In average of water supplied in 1878, also a year when there were many floods:—

Order of Purity.	Name of Company.	Quantity in 100,000 parts of water.	Equivalent in grains per Impl. Gall. of 70,000 grains.	Equal to 1 part (or say a glass) of organic impurity in the following parts (or glasses) of water.
1	Tottenham	·070	·0490	1,428,571
2	Kent	·080	·0560	1,250,000
3	Colne Valley	·086	·0602	1,162,790
4	New River	·152	·1064	657,894
5	Glasgow	·166	·1162	602,409
6	East London	·210	·1470	476,190
7	Chelsea	·236	·1652	423,728
8	Southwark and Vauxhall	·254	·1778	393,700
9	West Middlesex	·255	·1785	392,156
10	Lambeth	·261	·1827	383,141
11	Birmingham	·270	·1890	370,370
12	Grand Junction	·271	·1897	369,003

In average of water supplied in 1883, an average year:—

Order of Purity.	Name of Company.	Quantity in 100,000 parts of water.	Equivalent in grains per Impl. Gall. of 70,000 grains.	Equal to 1 part (or say a glass) of organic impurity in the following parts (or glasses) of water.
1	Kent	·064	·0449	1,562,500
2	Colne Valley	·069	·0483	1,449,275
3	Tottenham	·099	·0693	1,010,101
4	New River	·128	·0896	781,250
5	Glasgow	·162	·1134	617,284
6	East London	·174	·1218	574,712
7	Birmingham	·175	·1225	571,428
8	Chelsea	·186	·1302	537,634
9	Grand Junction	·198	·1386	505,050
10	Lambeth	·214	·1498	467,290
11	Southwark and Vauxhall	·215	·1505	465,116
12	West Middlesex	·217	·1519	460,830

Q. At any rate, the well waters, while showing a marked superiority over the river waters, do not fluctuate as the latter do.

A. I do not see that. They vary considerably. Take the Tottenham, for instance. It was three times better in 1877 than it was in 1883. This variation in water, taken from the deep chalk, which ought to be, if all its adherents say of it be

true, of one uniform quality, is to me an unaccountable circumstance. I know that as regards Croydon, where the Local Board of Health gave a supply from wells sunk into the chalk formation, Mr. J. F. Bateman, C.E., in his report, dated 19th December, 1877, said :—

“That in adjacent districts similar in their general circumstances, but the one supplied with water from the Lambeth Company and the other from Croydon, the epidemic fever of 1875 only prevailed in the district supplied with Croydon water.”

Now in the Thames we have running through our midst a magnificent stream fed from sources of unquestioned purity which will afford the inhabitants of the Metropolis a supply of good water for years to come. It is only a question of keeping out sewage matter, and this has been practically accomplished by the Thames Conservancy Board, who state in their annual report that the sewage of the towns on the Thames and its tributaries does not now find its way into the river above the intakes of the Water Companies. So it is with the Lea. But even if these rivers were in the same state as they were ten years ago I believe the supply would be a good one, because the oxidation due to the water travelling many miles in the course of the river, to fish and to the growth of weeds, and the aëration due to the water tumbling over weirs, etc., would completely purify it. It must not be forgotten that the flow of the Thames is, on the average, some 800,000,000 gallons per day at Hampton. For the greater part of the year the Thames and Lea waters are as excellent as can be desired. Even Dr. Frankland admits this. All then that is necessary to make the supply perfect is to have reservoirs of ample capacity in which to store water so as to avoid taking it from the rivers in flood time, and also to have reserves in springs and wells to fall back upon for use in addition.

Q. Have the Companies these impounding reservoirs, and springs and wells?

A. Yes; in the case of every Company but one they have ample storage room for river water, and the means of obtain-

ing large additional supplies from wells or underground springs : and that Company is taking steps to provide itself with the necessary alternative means of supply.

Q. But is not the water contaminated after it leaves the mains of the Companies by exposure in cisterns ?

A. No doubt it is—often. See what the Water Examiner says in his report, from which I have already quoted :—

“Notwithstanding the general effectual filtration and delivery of good water by the Companies to their respective districts, the supply frequently deteriorates after having been delivered by the Companies into the cisterns of the consumers. The remedy for this is a constant supply ; but, until such constant supply is general, the attention of all householders should be given to the fittings and cleanliness of their cisterns, as well as to their house-drains and the water-pipes connected therewith, upon which depend, in a great measure, the purity and abundance of the domestic water supply.”

But surely the Companies are not to be blamed for that. Constant supply will tend to alleviate the evil. The Companies are rapidly extending constant supply throughout their various districts of their own accord, and at the instance in some cases of that zealous and able public servant, Colonel Sir Francis Bolton, whose efforts to get the supply improved for the benefit of the inhabitants of London cannot be too highly recognised. As I said before, constant supply ought to have been forced on the Companies by the Metropolitan Board of Works. I will read to you from Mr. Firth's book on “Municipal London” as to this point. He reviews the powers and effect of the Metropolis Water Act, 1871, and, speaking of the Board of Trade regulations as to fittings under that Act, he says (page 397) :—

“These new regulations are far less stringent than those prepared by the Companies ; but the Metropolitan Board—the reason of whose action is often difficult to fathom—say in their report that they are so ‘stringent as to render it extremely improbable that the system of constant supply provided for by the Act of Parliament can soon be brought into general operation whilst such regulations are in force.’

Thus all the efforts of the Legislature and the Board of Trade are rendered nugatory by this petulant body at Spring Gardens, who seem never to have forgiven the withdrawal of the former measure. So far as we have been able to ascertain, the Board have never given a single Company notice to provide a constant supply."

(Page 693.) "So high-handed a proceeding at the hands of a body assuming in any sense to protect public interests clearly required confirmation, and the Board appear to have been especially anxious to obtain such confirmation in case their remarkable policy should be called in question. For this purpose they revert to the bodies that elected them, and send copies of the 'regulations' to all the metropolitan vestries, with a request for their opinion on them. The cue of the Board was too manifest for the vestries not to know it, and so 'many of them adopt the view of the Board as to the restrictive character of the regulations,' and many—sublime confidence!—'are disposed to leave it to the Board to take whatever course may appear to it best in the interests of the inhabitants of the Metropolis generally.' The magnanimity of the vestries was quite superfluous, as they had no option of interference in the matter, for the Metropolitan Board was by the Act constituted the 'Metropolitan Authority.' What, by a figure of speech, is called the 'judgment' of the Metropolitan Board was then exercised upon the question, and they came to the conclusion that it was 'desirable at present to refrain from exercising the power given by the Act of calling upon the Companies to give a constant supply.'

"But, strange to say, the patriotism which was so notably wanting in Spring Gardens has been developed by some of the Companies. First the East London Company tried the experiment of constant supply in Bethnal Green; and so well satisfied were they with it that it has been since extended to Spitalfields, Shoreditch, Whitechapel, and elsewhere. The Kent Company have also tried it in Rotherhithe, Deptford, Plumstead, Woolwich, and Charlton.

"Meantime the Board of Works—or, rather, the Board of Inaction—were 'instituting inquiries as to the inconvenience and cost' of this system. Not inquiries as to the advantages and benefits, but 'inconvenience and cost'! The words thus used in their report for 1873 sufficiently indicate how the Board of Works regard this public requirement, which has been advocated by Commissions and Committees for the last fifty years, and the benefits of which are illus-

trated by towns all over the kingdom. The consumer here is absolutely powerless. He may hope something from the public spirit of the Companies, but nothing from the 'Metropolitan Authority.'"

Q. We have travelled somewhat wide of the mark. It is, however, new to me that you can cite Mr. Firth in your favour. And if, as you say, considerably more than one-third of the houses in the districts of the Companies are on constant supply, he was right in crediting the Companies with some public spirit. But I will now come to the more proximate causes or reasons which adversely affect the Water Companies in the estimation of the public. Those reasons are—(1) their excessive charges, and (2) the outrageous sum they demanded when it was contemplated to purchase them.

A. One thing at a time. I will deal with the charges first. These cannot be taken exception to generally when I tell you that the average rate per head per week, excluding trade supplies, received by the Companies from rich and poor is only $1\frac{1}{4}$ d. This is far less a sum than that paid for milk or beer, or wine or spirits. It is less than one-third of the amount contributed per head of the population throughout the kingdom for the expense of the Army and Navy. It is only a little more and will soon be less than is paid for the School Board rate. I think you must acknowledge that this is not a very outrageous charge for your "primary necessary of life," especially if you recollect that the Companies have to give back $7\frac{1}{2}$ per cent. of all they receive, in the shape of rates, besides paying the income tax.

Q. You must admit that it is in excess of the charge made in the principal provincial towns—Liverpool and Manchester, for instance.

A. I admit nothing of the kind, even although the supplies to those cities are and have been for many years in the hands of the Corporations, who do not seek to make any profit out of the water undertakings. London might have secured its own water supply by buying up the Companies on fair terms any time these last thirty years. Let us take

Liverpool. There the corporation charge first of all a water rate of 6d. in the pound on the rateable value, which is levied on all property (whatever its nature or description) subject to the payment of rates within the limits of the city whether water is used or not. In addition to that, where any water is used, a water rent is charged of 6d. in the pound within the city limits, and 9d. in the pound without the city limits. In Manchester the public rate is 3d. in the pound on the rateable value of all property within the city limits whether water is used or not, and 9d. in the pound water rent on rateable value where water is used within the city limits, and 1s. in the pound on the rack rent beyond the city limits. The limits of the cities of Liverpool and Manchester are very extensive. Now supposing the Companies could levy a sixpenny rate on all the property within the area of the Metropolitan Board of Works, the rateable value of which is over £28,000,000, that would amount to over £700,000, or nearly one-half the total income of the Water Companies derived from all sources. Another thing in favour of the cities you mention is that coals are about half the price in Lancashire that the Companies have to pay in London, while labour is cheaper, and they have not to pay the enormous sums for rates and taxes that the London Companies have to submit to.

Q. These statements, if they are facts, are startling and take me by surprise, but I must say that the rates of the London Companies seem to me to be very unequal. I cannot see why they should not all be levied on one scale.

A. No doubt my facts are startling, because most people believe all the evil things they see written about the Companies. Even Mr. Firth admits in his book :—

“Taken as a whole it cannot be said that the London Water Companies have deserved ill of their customers, but their own existence as private organisations for the supply of an article of prime necessity is a defect in metropolitan arrangements.”

As to the rates being equal, they should, and possibly they would be if the supply were in the hands of a single body.

But it would be a great injustice to attempt to interfere with the rating powers of the Companies until they were purchased, unless they amalgamated. Look at this table showing the authorised charges of the different companies, and the rate per house and per 1,000 gallons they obtain. You will see that it is not those that have the highest powers that obtain the greatest sum per supply or per 1,000 gallons. I take the figures of an independent authority—Mr. Alfred Lass, F.C.A.—(See opposite page.)

Q. Why should the authorised percentages in the case of the Lambeth Company be so much in excess of the others?

A. The charge authorised in the case of that Company is no doubt apparently high, but they are not authorised to charge for high services as other companies are; and you will see that the rate they receive per supply and per 1,000 gallons is not so much as many other companies obtain. Moreover, the greater part of their district, by reason of being on very high ground, has to be supplied from reservoirs more than 180 ft. above Trinity high water-mark. The New River Company, where they are called upon to supply water 160 ft. above Trinity, are entitled to charge an extra 1 per cent. for such supply. It appears also that the Lambeth Company undertook in 1848 the responsibility of supplying the large and scattered urban districts on the south side of the Thames, where water was formerly only obtainable from surface wells. An old resident of Streatham told me that when he first came to that parish he had to keep a water cart—a cask on wheels—and a horse specially for drawing water from the parish pump. In many places water was supplied from travelling carts at about 1½d. to 2d. per pail. Not only, however, in that Company's district, but in the outlying districts of all the Companies, the extension of the supplies of water has been productive of the greatest boon to the inhabitants, and has in fact enabled the new properties to be developed and houses to be built. These extensions are generally unremunerative for a long period.

Q. Of course, these charges being authorised cannot be

Name of Company.	Authorised Percentages on Value.	Average Number of Houses supplied monthly in 1882.	Rental, less empty houses in 1882.	Average Annual Rate for trade and all purposes per supply.	Rate received per 1,000 gallons pumped.*
New River	4 % below £200 3 % above £200	136,754	£ 427,723 14 9 s. d.	£ 3'127	d. 10'176
East London	5 %	134,738	230,452 15 6	1'710	4'347
Kent	A graduated scale ranging from about 6½ to 4 %	55,696	100,463 16 4	1'804	7'482
Chelsea... ..	} 4 % below £200 3 % above £200	31,582	101,583 0 7	3'216	7'244
West Middlesex		60,318	179,690 17 2	2'979	10'237
Grand Junction		45,559	157,270 2 10	3'452	7'720
Lambeth	A graduated scale varying from 7½ to 5 %	71,234	174,862 1 1	2'454	7'410
Southwark and Vauxhall... ..	5 %	97,221	189,765 1 10	1'952	6'388
Total on 31st Dec., 1882 ...		633,102	Total £1,561,811 10 1	Av. 2'467	Av. 7'307
Total on 31st Dec., 1882 ...		643,752			

* Note.—A great deal of the water pumped is given away or wasted and not paid for.

altered, but I do not think that Parliament would sanction such rates now.

A. Indeed ! Then look at this schedule authorised in the case of the Leatherhead District Water-works Company only last session for the supply of a district adjoining, and similar to, that of the Lambeth Company :—

THE LEATHERHEAD AND DISTRICT WATERWORKS
ACT, 1883

THE SCHEDULE HEREINBEFORE REFERRED TO.

RATES FOR SUPPLY OF WATER.

Where the gross estimated rental of a house or part of a house does not exceed	At a rate not exceeding per annum, and so in proportion for any shorter period.
£	s. d.
5	8 8
6	10 0
7	11 4
8	12 0
9	12 8
10	13 0
11	14 0
12	15 0
13	16 0
14	17 0
15	18 0
Exceeding £15, but not exceeding 100	£6 per cent. on such gross estimated rental.
Exceeding £100, but not exceeding £150	£5 10s. per cent. on such gross estimated rental.
Exceeding £150	£5 per cent. on such gross estimated rental.
All inns and hotels, whether public or private, exceeding £50	£7 10s. per cent. on such gross estimated rental.

In the present session the Corporation of Croydon are bringing in a Bill to enable them to give a supply in the district of the Lambeth Company, and the rates they seek powers to charge are about $8\frac{1}{2}$ per cent. on houses under £20 a year, or 1 per cent. in excess of the Lambeth charge.

Q. You surprise me. Irrespective of any question of interfering with the district of the Lambeth Company, I cannot believe that the Legislature will grant such powers ?

A. I do not know what the Legislature may do, but by giving that corporation powers to invade the district of the Lambeth Company they would be setting aside the provisions of the Public Health Act, which precludes any local body from giving a supply where a company having powers over the district is able and willing to afford it. The Lambeth Company are not only able and willing to give, but are giving the supply, and have spent enormous sums of money to enable them to do so, as the greater part of the area sought to be filched is between 300 and 400 ft. above ordnance datum.

Q. I should like to ask whether the supply to the poorer class of houses, which are the most numerous, pays the Companies?

A. No; decidedly it does not. I can refer you to an instance where 445 houses were supplied through a waste-detecting meter in a constant-supply district. The rates paid were £490 4s., or £1 2s. 2½d. per house. Before inspection, and prior to proper fittings being supplied, the consumption per house was 228·2 gallons. At 1s. per 1,000 gallons, charging nothing for meter rent, this would have amounted to £4 3s. 2d. per house. The consumption was reduced, after checking waste, to an average of about 120 gallons per house, which gives, at 1s. per 1,000 gallons, £2 3s. 9d. per house, so that the Company ought, if the supply is to pay them, to get some £1 10s. per house more than they at present receive.

I will give you an instance of another class of property. During the last few years great numbers of houses having a bath and two W.C.'s, have been built in all the suburbs, to let at about £35 a year. If the net annual value of these houses is reduced to under £30 a year, several of the Companies can only charge 4 per cent. thereon without extras, that is a water rate of 24s. per annum. Now a bath 5 ft. 6 in. × 1 ft. 6 in., with water 1 ft. in depth, means a consumption of about 50 gallons each time the bath is used, which multiplied by 365 gives about 18,000 gallons per annum for the bath alone, supposing it is only used once every day. We know that where there are

young persons it is used frequently daily. As washing is done on the premises, and there is a free use of water for every purpose, manifestly these supplies cannot pay the Company.

Q. Then it would not pay the owners and occupiers of this class of property to take their supplies by meter?

A. Assuredly not. I presume that you are now alluding to the Bill promoted by the Corporation of London for making it obligatory on the Companies to supply water by meter wherever they are required to do so. That is to say, where the consumers are satisfied with the present mode of payment they may remain as they are. If they think they can better themselves they may go on the meter system. The Company is to have no option! Such a wretched "Heads, you lose; tails, I win" proposal, especially in a matter of national sanitation like the Metropolitan water supply, is most unworthy of a body claiming to have ordinary intelligence, or to be animated by principles of fair dealing; that it should have emanated from the City of London passes my comprehension. No doubt it was supposed to be a popular move, but persons who assume to govern should not court popularity at the expense of common sense and justice. You can see from the instances that I have given you that small householders would have to pay a great deal more by meter than they do now on value.

Q. But is not a meter system the fairest, inasmuch as people pay for what they get, just as they do for gas? I think the Corporation are to be commended for taking the matter up.

A. Well, those who claim to be authorities on the question do not. Listen to what Mr. Firth says on meter supplies, and the Corporation who proposes that system:—

"The establishment of a general meter system would be an unfortunate thing for London. The more water is consumed in the cleansing of houses and in bath-rooms, gardens, and so forth, the better it is for the public health and sanitary condition.

"If it were asked what was the best step to be taken for our present advantage in the matter of the water supply we should find it not

easy to answer. Consolidation, unification and constant supply are our great wants, but to what public representative body could the supply be confided with any prospect of our interests being duly regarded? Certainly not to the Metropolitan Board of Works, a body created for a different and almost temporary purpose, who, both upon this and the gas question, have shown themselves unable to rise to the level of any patriotic action in Metropolitan interests. Representing no one but themselves the public prefer the Companies. The Corporation of the City can advance no fair claim to legislate and direct such a question for the whole Metropolis so long as it denies common citizenship to those who live outside its boundaries."

Then your argument that because gas is supplied by meter water ought to be is entirely delusive. People may use gas just as they please. It is an article of manufacture. But it is the interest of the whole community to see that every one uses water without stint for flushing drains and sewers, and for all healthful purposes, and also to insure an abundant supply for personal and household cleanliness and domestic comfort. If the poor had to pay by measure, stint as much as they pleased, they would have to pay a higher charge than the present, while the rich would pay less. Every one knows that much more water is used in the houses of the poor for scrubbing and washing than in the houses of the well-to-do classes. It would be just as reasonable to claim that persons should pay sewers rate at per head instead of on the rateable value of their property. I do not express my own opinion only. In the report of the Associated Medical Officers of Health to the Board of Works for the Wandsworth district, dated 13th June, 1883, after some remarks as to the reduction of quantity of water supplied in their districts—I presume through stoppage of waste—they go on to say (p. 21):—

"*Drainage.*—As the efficiency of house drainage and general sewerage is dependent on a sufficient supply of water, any reduction in the amount of the latter (hitherto insufficient for that purpose) becomes highly objectionable and mischievous; for the immediate result of an insufficient supply is the greater development of gases of

decomposition in the sewers, and the consequently greater presence of them in the streets and in houses. That such is the case and that the amount of water entering the sewers from houses is insufficient as a vehicle for their contents is manifest from the circumstance that the emanation of sewer gas from the 'ventilators' is greatest and most noxious at night, when the smallest amount of water is passing into the sewers. *Sewer Gas*.—As the development of typhoid fever, and probably of other diseases, is held by the highest authorities to result from sewer gas, the means of prevention of the development of the latter becomes a question of the gravest importance, the practical solution of which has always appeared to your Medical Officers of Health to be prevented by the use of an abundant and continuous flow of water."

And yet the Solomons of the Wandsworth Board of Works have expressed their approval of the City proposal to supply by meter. Many Vestry and Local Board men would approve of anything if they thought it meant loss to a Water Company.

Q. Have you anything else to say against the meter system?

A. I was going on to say that the parish authorities, or householders, will further be put to great expense in clearing out the drains when they become choked, and they will have to pay for a quantity of water to flush them. Then, at present in time of frost the Companies fix stand-pipes, to enable people who are frozen out to draw water. They could not be expected to do this if payment was by meter. Further, only expensive meters are to be relied upon for registering small quantities of water. If all London had to be supplied on the metersystem some £3,000,000 or £4,000,000 additional capital would be required for meters, and there would be an enormous increase in the expenses for meter inspectors, etc. This large capital would have to be raised in some way or other by the Companies, while the necessary interest thereon as well as the extra expenses would have to be covered by a suitable meter rent. Supposing this outlay had been made and the system started it would probably be discovered, after

some terrible epidemic, that it was all a mistake and must be abandoned. Who is to bear the consequences of its introduction, and pay the interest on the £3,000,000 or £4,000,000 expended on useless meters?

Q. But could not the rate per 1,000 gallons be adjusted, and a proper sum for meter rent agreed on, and the system made compulsory?

A. Let me first ask you who is to pay meter rent and be responsible for the safety of meters in empty houses? Recollect they cannot be fixed as easily as gas meters. As to a suitable sum per 1,000 gallons, and a fair meter rent, they would render the scheme as a whole abortive, because the poor could never pay it; and there is no reason why the rich should have the benefit of it, unless the system is universal. As to making it compulsory, people do not stand compulsion in these days. But look a little further into the matter and take the following places that you cited as examples for London to follow.

Liverpool. Remember there is a fixed water rate on all property of 6d. in the pound as a first charge, whether water is used or not. Rate per 1,000 gallons, in addition, for water supplied, 7d. within the city, 9d. without. No supply given at a less rate than 10s. 6d. per quarter, exclusive of meter rent.

Manchester. Fixed water rate 3d. in the pound on all property, but no water given for it. Charge per quarter for water varies according to the quantity taken. The following charges, exclusive of meter rent, will indicate the scale:—

	£ s. d.				
10,000 galls. per qtr., supplied for	0	18	8	=	22'40 per 1,000 gals.
20,000 " "	1	15	0	=	21'00 "
25,000 " "	2	2	6	=	20'40 "
50,000 " "	3	17	0	=	18'48 "
75,000 " "	5	4	0	=	16'64 "
100,000 " "	6	9	0	=	15'48 "
200,000 " "	10	15	0	=	13'15 "
300,000 " "	14	15	0	=	11'80 "
400,000 " "	18	0	7	=	10'82 "
500,000 " "	20	17	1	=	10'01 "

and so on gradually descending until it reaches about 5d., the lowest rate per 1,000 gallons, when the quantity taken is 3,000,000 per quarter. The charge for hire and for repair of meters in Manchester varies from 3s. per quarter for a half-inch, to 35s. per quarter for a five-inch.

Q. But many foreign cities are supplied by meter?

A. A few: *Berlin* is, I believe; but I do not know at what rate exactly, though I do know it is far more than the scale proposed by the city. *Antwerp* is supplied at four centimes per hectolitre (*i.e.*, about one shilling and sixpence per 1,000 gallons), and a charge of a minimum meter rent of 30 francs (£1 5s.) per annum. In *Brussels*, the minimum rate per house per annum is 27 francs (22s. 6d.) exclusive of meter rent. These instances show that water is more valued on the Continent than it would seem to be in London.

Q. I must say that what you say shakes my faith in the meter system.

A. Yes; and there is this further injustice in it—that the Companies have had to provide works sufficient to meet the greatest maximum summer demand that is likely to arise for some few years to come with an unstinted use. With a greatly diminished supply, owing to the use of meters, the works would be far in excess of the requirements, and the Companies would be burdened with the additional capital sunk in providing new works, often at the instance of the Government Water Examiner, as he himself states (p. 11), which works would continue to be rated by the parishes up to the hilt. According to Mr. Lass's figures the percentage of rates and taxes (irrespective of income tax) is 7·675 on the water rents received, and 13·991 on the divisible profits. These are not taken for the same half years as those I quoted (p. 8), but they practically agree, and so confirm them. Diminish these receipts and profits and the percentage of rates and taxes will be still greater.

Q. There appear to be some mistaken ideas abroad as to the Water Companies and the water question generally. What

have you to say to the charge of attempting to extort an unjustifiable sum from the public when it was proposed to purchase the Companies in 1880?

A. There was certainly no extortion in the matter. The Companies had against them as negotiator for the Government one of the keenest and ablest professional men of the day. He was only too glad to conclude the bargain, and I say that for the sake of the public it is to be regretted that the agreements then come to with the Companies were made a political question and abandoned because, forsooth, the City and the Metropolitan Board of Works—two bodies even then doomed in the minds of some prominent members of the Select Committee—came forward to oppose the purchase, and their opposition was so highly regarded as to be made the grounds on which the agreements were abandoned.

Q. But surely the Government Auditor gave strong evidence against the agreements.

A. Mr. Stoneham submitted very accurate figures, arranged with great skill, but he distinctly stated that the evidence he gave was that of an accountant and not that of a valuer. His figures were made the basis of an argument that because the Companies had spent a great deal of money in recent years they would always have to spend in the same proportion: nothing more transparently fallacious was ever contended. It followed that where one Company had spent half a million in five years and another Company had spent only £50,000, the latter Company was entitled to better terms, because it was assumed that having spent little it would continue to spend little, and in the case of the other Company, that having spent much it would continue to spend much. Now I will call your attention to the result of three years' trading of the eight London Water Companies compared with the allowances made to them in the agreements of 1880 by the late Mr. E. J. Smith. The interest on the water stock given for the first year, and the increments for the two years ending 30th June 1883, amounted to..... £2,405,595.

The net profits of the five Thames Companies to the 30th September, 1883, and of the three other Companies to the 30th June, 1883, were		<u>£2,486,678</u>
So that the purchasing authority would have gained in the three years		<u>£81,083</u>
Which would have gone towards meeting the increments of interest payable to the eight Companies—		
for the year ending 30th June, 1884 ...	£24,876	
„ „ 30th June, 1885 ...	42,621	
„ „ 30th June, 1886 ...	22,365	

This result is in the face of an increase in rates and taxes of £41,814 in the three years.

A great deal of fresh capital has been provided by the Companies for expenditure on new works, which would not have been necessary if the purchase of 1880 had been carried out and the works had been consolidated.

The purchasing authority would have taken possession of balances and contingency funds in June, 1880, amounting to a considerable sum, and would not have had to pay £68,814 directors' fees in the three years. There would have been a further great saving effected under unity of management and consolidation.

Q. But surely this is not known?

A. Possibly not; but it ought to be known by the authorities, and it could be known by any one who would take the pains to work out the figures.

Q. There was at any rate no precedent for paying such enormous sums for the purchase of a water undertaking.

A. The two governing cases of purchase of Water Companies are the Stockton and Middlesborough Company, which was purchased compulsorily by arbitration, and the Birmingham Company which was purchased by agreement. The Stockton and Middlesborough Company were paying their maximum dividends at the time of the purchase. The Act obtained by the Corporations of Stockton and Middlesborough

for the purchase of the Company provided that the shareholders should be compensated by perpetual annuities representing the amount of such maximum dividends, or, at the option of the Company, a sum in gross calculated at twenty-five years' purchase of such amount, and in addition a sum for compulsory sale and prospective advantages. For these the shareholders were awarded a further sum of about 46 per cent. on the capital of the Company.

The Birmingham case will be best explained by the following letter, which appeared in the *Times* in August, 1880:—

“THE LONDON WATER SUPPLY.

TO THE EDITOR OF THE “TIMES.”

“SIR,—A paper dated July 29th, handed in by Mr. Chamberlain to the Select Committee, which has been compiled by Mr. Alderman Avery, the negotiator on the part of the Birmingham Corporation purports to give correct particulars of the Birmingham Waterworks purchase, as the evidence given thereon by the late Mr. E. J. Smith is, it states, ‘so extraordinary.’

“Sir Richard Cross doubtless selected Mr. Smith to negotiate with the London Water Companies because of his abilities and character. Mr. Smith was also well known to most of the advisers of the Water Companies as being keen and shrewd at a bargain, perhaps, but essentially an honest, able, and just man, and it was the fact of his honourable repute that induced the Companies to respond to his invitation to treat with him. The report of the committee, notwithstanding, Mr. Smith did make a hard bargain with the Companies, and although the report speaks of the Companies claiming twenty millions for back dividends, Mr. Smith only allowed them less than three millions and a half in deferred stock.

“But with regard to the Birmingham case, as Mr. Smith is beyond defending himself, I trust you will allow me to state the facts as they are contained in Mr. Alderman Avery's paper.

“The paid-up share capital of the Company was £420,000, maximum dividend, 8 per cent.; £252,000, maximum dividend, 7 per cent.: total, £672,000; average statutory maximum dividend, $7\frac{5}{8}$ per cent.

“For this sum the Corporation gave annuities of £51,240 to the shareholders, and for their contingent interest in £84,000 uncalled

capital they were compensated by annuities of £2,376. They were also compensated by annuities of £875 in respect of the amount of half the back dividends (£26,280 os. 8d.).

"These annuities, to be compared with the London purchase, must be converted into a $3\frac{1}{2}$ per cent. stock, because the agreement for the London purchase was on the basis of income, and whether annuities were given out and out, or whether, as you point out in your leading article, the income is derived from a 3, $3\frac{1}{2}$, 4, or 5 per cent. stock, makes no difference to the water shareholders, as the amount of stock to secure such income would vary according to the interest it bore.

"The Birmingham Corporation annuities of—

£51,240 equals or represents £1,464,000 in $3\frac{1}{2}$ per cent. stock.

2,376	„	„	67,884	„
875	„	„	25,000	„

£54,491

£1,556,884

The sum of £1,464,000 that the Corporation gave as compensation to shareholders holding £672,000 paid-up share capital is equal to 28·58 years' purchase in a $3\frac{1}{2}$ per cent. stock. But, inasmuch as other interests are compensated, and those interests belonged to the same shareholders, the £1,556,884 may be taken as the purchase-money of the £672,000, which is equal to 30·38 years' purchase. Had the Birmingham Company, like the London Companies, had a statutory maximum dividend of 10 per cent. and a larger amount of back dividends, there is but little doubt that it would have been purchased at a considerably larger sum, which would have worked out at a great many more years' purchase.

"But it should be understood that years' purchase have really nothing to do with the question, which simply is securing to the shareholders their present income, and the obvious increase that would accrue to them during a reasonable period in the future.

"The main point which Mr. Smith proved this paper corroborates. Table 3 therein shows that the net profits of the Birmingham Company in 1865 were £21,974, and that in 1874 they were £47,739. Table 5 shows that in the four years 1871 to 1874 the additions to water rates from revisions—*i.e.*, increases—were £15,443. Assuming that losses and cost of collection reduced this sum to £14,000, it is clear that out of the total increase of £25,765 in the profits of the

ten years, 54'3 was due to the increase of the charges by revision of water rents.

"These are the facts. The paper gives explanations of them, just as other evidence taken by the committee gives explanations of the case of the London Companies. The paper states that the Birmingham Corporation have made a profit out of the water undertaking they purchased ; so, no doubt, would the Water Trust had it been formed and adopted Mr. Smith's agreements. But the Committee appear to consider that what is a reasonable and fair principle for Birmingham is inadmissible for London. They therefore take a new departure, and suggest if the London Companies will not sell at such a price as the purchasers think right, not that arbitration shall be resorted to, but that a competing supply shall be introduced, necessarily with the public funds.

"Faith in Acts of Parliament has heretofore been inherent in Englishmen's minds ; but if a railway, water, or any public undertaking, established by private enterprise on the faith of Acts of Parliament, be coveted by any section of the public, and such section say they will only give what they choose for it, and that if its owners do not sell, an endeavour will be made to ruin them by competition carried on with the public resources, there is an end to all public honesty and confidence in Parliamentary grants.

"I am, Sir, your obedient Servant,

"A WATER SHAREHOLDER."

"London, Aug. 19th, 1880."

This last paragraph goes straight to the point. The noble works of the London Companies were established by private enterprise, and have been carried out with money subscribed on the faith of public Acts of Parliament as well as of private Acts granted by Parliament to the Companies direct. A clearer bargain was never made. The Companies were to undertake to supply water within certain limits at certain rates at their own risk. Thus they had legal obligations upon them which they were bound to fulfil, in many cases under heavy penalties. If they should make any loss in their business they would have to put up with it. On the other hand, should their business turn out to be profitable, they were restricted from making more than was fixed

upon as a fair profit by a statutable limitation of their dividends. To attempt to alter the fundamental basis on which they supply water, and thus subvert the terms on which the shareholders subscribed their money is laying the axe at the root of all faith in Parliamentary honesty.

Q. But the Home Secretary, in his remarks to the deputation of the Water Companies, practically said that the Companies had taken advantage of a state of things that it was never contemplated would arise, and had increased their charges unjustifiably.

A. Yes ; and the Home Secretary appeared to base that charge on the figures of Mr. Stoneham, which were submitted by him to the Select Committee of 1880. These were the figures of an accountant, but they had never been investigated with the view of ascertaining the cause of the greater increase in water rentals than in the number of houses. The New River was cited as the worst case. Now every one knows that old houses have been pulled down in the city and its environs—Holborn and the Strand, for instance—and large premises built in their stead. Further, that better classes of houses have been built in the suburbs, so that a better rate is obtained, and the average rate per house is consequently increased. The supply of water for building purposes is now charged for, and that helps to swell the average. I do not pretend to give all the reasons, but I do say that the Companies should not be judged on an apparent case against them until it was supported by some evidence. We all know how people may be misled by figures. But irrespective of that, a bargain is a bargain, and if the Companies were legally justified in charging certain rates on certain values, it was no reason why they should not do so because they had previously omitted to charge less than they were entitled to. They had a legal right of which they were always open to avail themselves. They had suffered at the hands of the parishes, as I have shown, in having their assessments put up continually, and the great authority of the Home Secretary notwithstanding, I say, on the authority of the Government Water

Examiner, that the Companies have increased the accommodation considerably of late years, and have done everything possible to improve their supply. It may be said that they were bound to do so: they may equally say that the consumers are bound to pay the rates the Companies are authorised to levy. Now supposing property had gone down generally in value, would not the owners and occupiers have said, "You Water Companies must reduce your charges," and they would have been obliged to do so.

Q. But as the Home Secretary said, the Companies' charges have since been ascertained, through the action of Mr. Dobbs, to have been illegal.

A. The Companies never had an idea that they were otherwise than legal: all the decisions of the Courts had, before Dobbs' case, been in favour of the Companies' view. Even in that case the Police Magistrate, the Lord Chief Justice of England, and the two Lords Justices of Appeal who tried the case with Lord Coleridge, held against Mr. Dobbs, and it was only when the case reached the House of Lords that a decision was given as to the meaning of annual value: the question was really raised as a side issue, and although it affected all the Companies they were taken by surprise, and had no opportunity of arguing upon it. At the present time every receipt for Government taxes states: "N.B.—The Income Tax, under Schedule A is in respect of the annual value or rent of the premises, and the taxes are levied on the full or gross estimated value." Then the schedule sent out by every parish for purposes of re-valuation has the following question printed on it: "If the occupier is also the *owner* of the premises, state the annual value, *i.e.*, what the same are worth, to be let to a yearly tenant."

Moreover, the Companies' charges were frequently under the review of Parliament, and no question was ever raised as to the meaning of annual value, because the old-fashioned definition was attached to the term—that is, the full rent that the premises will bring; and I cannot conceive now, if a yearly tenant were asked what was the annual value of his

house, how he could truly answer otherwise than by giving the sum he pays as rent.

Sir W. Harcourt said, that although the Government received taxes on the gross amount, it was immaterial, as a certain amount of money had to be provided, and whether it was a large rate on a small assessment, or a small rate on a large assessment, it came to the same thing. But I say annual value ought to have the same meaning in all cases. If it is just and true in one case it must be equally so in the other. If the Companies were bound by the rateable value fixed by country parishes, which fortunately they are not, the parishes might carry out this idea of the Home Secretary's to such an extent that the Companies would be deprived of a great part of their income. This of course could not be done to any great extent in parishes within the ambit of the Metropolis Valuation Act; but even in some Metropolitan parishes the values are not as high as they ought to be. At all events the deduction from gross to arrive at rateable values varies in an inexplicable manner.

Q. The Dobbs' decision at any rate involves a very serious loss to the Companies?

A. The effect of the decision has been much exaggerated. Some Companies will experience no loss in consequence of it. I feel certain that in the aggregate the loss will not amount to anything like the £80,000 a year mentioned by the Home Secretary. Putting it even at that, it simply means the loss of the annual increment for two or three years; and recollect that if the Companies had been purchased there would have been no loss, as I have shown (p. 30).

Q. Was not the enormous sum to be paid on account of back dividends a fatal objection to the proposed purchase of 1880?

A. The total amount to have been given by way of back dividends *in deferred Stock*, under the agreements of 1880, was £3,443,540. The New River Company was to have had £2,141,540, the West Middlesex £343,000, and the Kent £474,000. Two of these Companies had, and the other has

since, attained their maximum dividends. They are now all paying back dividends. Their works were in a most satisfactory state, and the quality of the water they supply excellent. Two other Companies got together £485,000. The others were content with their maximum dividends, which they will no doubt attain by the dates anticipated when the agreements of 1880 were made, the Dobbs' decision notwithstanding, unless some revolutionary action should be adopted against the Companies.

Q. What have you to say about the Companies issuing new capital to the shareholders at par, and thereby profiting to the extent of the value of the premium?

A. Sir William Harcourt, as an able and experienced Parliamentary counsel, knows perfectly well that the Companies could do nothing else. The Companies' Clauses Act provides that new capital shall be issued *pro rata* amongst shareholders if the existing share capital is at a premium. The London and North-Western Railway Company lately issued two or three millions of new share capital at par, although their shares are at a premium; and every railway or other company, unless there are provisions in their Acts to the contrary, does the same thing. If Parliament wishes to impose the auction clauses on any new issues it can do so; but, inasmuch as it did not do so, the Companies cannot be blamed for obeying the law and looking after their own interests. Why the Water Companies should be singled out and held up to public execration as unjust, extortioners, and what not, I fail to see. I think they have conferred quite as great benefits on the inhabitants of London as the Suez Canal Company has on the world; and if I mistake not, the Government, of which the Home Secretary is so distinguished a member, recognised the claim of that Company to a dividend of 25 per cent. being secured to them, and was even willing to assist them with new capital on favourable terms in order to secure it, and offered no objection to that Company issuing new capital at par.

Q. Then it seems to me that the conclusion of the whole

matter is that it is a pity the Companies were not bought in 1880.

A. That you must decide for yourself. Mr. Smith once said to me,—“I have got these eight wild animals with extraordinary difficulty into one stable. He will be a bold man who will take the responsibility of letting them out again.” There, however, were plenty of bold men for the task as it happened.

Q. But I cannot see why some such arrangement as was made with the Gas Companies could not be discovered as a solution of the Metropolitan water question.

A. If persons competent to deal with it approached the question free from bias and prejudice, no doubt the difficulties which appear insurmountable could be overcome. The Gas Companies are paying on the average far better dividends than the Water Companies : so what satisfies the one would no doubt satisfy the other. Parliament has fixed maximum dividends of $7\frac{1}{2}$ per cent. and 10 per cent. on the water shares as the limit of profit. The proprietors who adventured in these water undertakings found that nearly all of them were for many years unprofitable. Prosperity came at last, and the proprietors now claim to enjoy the legitimate fruits of their enterprise, and to have the benefit of the back dividends. I have shown that they were willing to accept a moderate sum in satisfaction of their claims on the latter account in 1880.

Q. I think it is to be regretted that the Water Companies have kept themselves so very much in the dark, and never let the public know their views.

A. They preferred to attend to their business, and supply good water. Although in this talkative age the old saying that “Speech is silver, and silence is gold” falls mostly flat and unheeded, I still believe in this wise maxim, although I have departed from it in this instance, and suffered myself to be led into the artful snares of an inquisitorial scribbler.

And he would say no more.

W.

